

11/12/82

OFFICE OF EXTERNAL AFFAIRS
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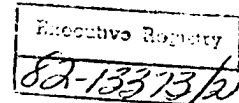
TO:	ACTION	INFO
1. D/OEXA		X
2. DD/OEXA		X
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6. PAD		
7. CAR		
8. BLH		X
9. NDL		X
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SUSPENSE _____ Date _____		

Remarks:

13 December 1982

OEXA Registry/Date

Central Intelligence Agency



55C1

Washington, D.C. 20505

9 December 1982

EA # 82-2809/A

The Honorable Barry M. Goldwater
 Chairman, Senate Select Committee on Intelligence
 Dirksen Senate Office Building
 Washington, D.C. 20510

Dear Barry:

With reference to your letter of December 3, I regret that [redacted] letter STAT
 reached you before we could have an opportunity to inform your staff of the
 nature of the study we had commissioned.

One of the most controversial areas of CIA's analytical work has to do
 with our estimates of Soviet defense spending. There are many critics of this
 effort; those who believe we overestimate what they spend, those who believe
 we underestimate, and those who believe we simply have an inadequate methodology
 for doing the work. The level of criticism in the last several years has reached
 such a level that the credibility of the analysis itself has come into doubt and
 has become a source of considerable controversy within the Intelligence Community.

Under these circumstances Bob Gates, Deputy Director for Intelligence,
 proposed last spring to Bob Inman and me that we have several members of the
 DCI Military Economic Advisory Panel look into this matter. The MEAP is
 comprised of a group of noted specialists on the Soviet Union including people
 like [redacted] who advise STAT
 me on the quality of our analysis in the area of Soviet defense expenditures.
 Most of the members of the panel are very prestigious experts whose views have
 contributed substantially to our work over the years. Our thinking was that we
 could save considerable time and money in this effort by commissioning a group
 of people already fairly familiar with our work to carry out a detailed evaluation.

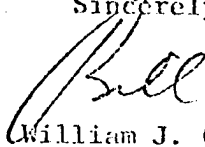
The evaluation will be in two parts. The first will involve interviews with
 as many of those critical of the way we do our work -- regardless of the nature
 of their criticism -- as the panel can reach. The second part will be to talk to
 staff people on the Hill and in the Department of Defense to get the views of users
 on how these cost estimates are used and the value attached to them. Our objective
 is that at the end of this review the panel will be able to make recommendations
 on whether and how our defense costing estimating can be improved, with specific
 suggestions, as well as identifying whether the information gaps and methodological
 problems inherent in the issue are so great as to require significant changes in
 the way we go about the effort. Finally, they will address whether the way we

present our cost estimates to policymakers leads to misunderstanding of the limitations of the analysis.

Your concern about the cost of using an outside group is understandable but I hope you will appreciate our perception of the need for a group that is widely perceived to bring objectivity and independence to this study and also the fact that we lack the manpower resources to undertake this kind of a review effort ourselves in addition to our analytical work. Moreover, the members of the panel are widely enough known among specialists in this area that we hope it will encourage people who might be reluctant to talk directly with CIA to present their views.

In short, what we have undertaken is an effort costing about \$50,000 to make use of some of the best minds in the country on Soviet defense economics to help us evaluate our analysis in an area that has become highly controversial and where there is considerable skepticism as to the validity of our work. It is part of our effort to improve the quality of analysis and also part of our continuing program to evaluate the way we do our work to insure that it is as accurate, well targetted and reliable as we can make it. I regret that this explanation reaches you after instead of before [redacted] letter due to a missed signal. I encourage you or any member of your staff who has views on this defense costing business to accept [redacted] invitation to talk with the panel. STAT STAT

Sincerely,



William J. Casey
Director of Central Intelligence

Prepared by DDI

Orig - Addressee 0630 Hill run 10 Dec 82

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- 1 - DDI
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